

HOUSE BILL REPORT

HB 1009

As Reported by House Committee On:
Technology, Energy & Communications

Title: An act relating to extending the expiration dates for existing sales and use tax exemptions related to certain electricity generation.

Brief Description: Extending the expiration dates for existing sales and use tax exemptions related to certain electricity generation.

Sponsors: Representatives Morris, Chase, Liias, Anderson, Orcutt, Seaquist, Hudgins and Moeller.

Brief History:

Committee Activity:

Technology, Energy & Communications: 2/9/09, 2/18/09 [DPS].

Brief Summary of Substitute Bill

- Extends the sales and use tax exemption for eligible renewable energy and fuel cell machinery and equipment.
- Specifies that the sales and use tax exemption is available to a qualifying utility under the Energy Independence Act, or to a person contracting with a qualifying utility for the sale of electric power generated by eligible renewable energy and fuel cell machinery and equipment.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives McCoy, Chair; Eddy, Vice Chair; Crouse, Ranking Minority Member; Haler, Assistant Ranking Minority Member; Carlyle, Condotta, Finn, Hasegawa, Herrera, Hinkle, Hudgins, Jacks, McCune, Morris, Takko and Van De Wege.

Staff: Scott Richards (786-7156)

Background:

Sales and Use Tax.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Sales tax is imposed on retail sales of most items of tangible personal property and some services. The use tax is imposed on the same privilege of using tangible personal property or services in instances where the sales tax does not apply. Sales taxes are levied by the state, counties, and cities, and total rates vary from 7 to 8.9 percent. The use tax is paid directly to the Department of Revenue.

Sales and Use Tax Exemption for Renewable Energy Machinery and Equipment.

A retail sales and use tax exemption applies to the sale or use of machinery and equipment used directly in generating electricity from renewable sources. The qualifying sources are fuel cells, wind, sun, and landfill gas. The exemption also applies to labor and services rendered in respect to the installation of eligible machinery and equipment. The generating facility must be capable of generating at least 200 watts of electricity.

The exemption expires June 30, 2009.

Legislative Tax Preference Performance Reviews.

In 2008 the Joint Legislative Audit and Review Committee, as part of its tax preference performance review process, estimated the total state and local taxpayer savings related to this tax incentive to be \$26.7 million in the 2008 fiscal year, growing to \$36.4 million by the 2011 fiscal year.

Summary of Substitute Bill:

A sales and use tax exemption exists for machinery and equipment used directly in generating electricity using fuel cells, wind, sun, or landfill gas as the principal source of power. The sales and use tax exemption is available to a qualifying utility, or to a person contracting with a qualifying utility for the sale of electric power generated by a facility containing machinery and equipment used directly in generating electricity using fuel cells, wind, sun, or landfill gas as the principal source of power.

The expiration date for the tax incentive is June 30, 2020.

A "qualifying utility" is defined as an electric utility that is required to use eligible renewable resources under the Energy Independence Act (Initiative 937).

Substitute Bill Compared to Original Bill:

The substitute bill specifies that qualifying utilities as defined under the Energy Independence Act are eligible for the sales and use tax exemption, as well as persons contracting with a qualifying utility for the sale of electric power generated for eligible facilities.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect on June 30, 2009.

Staff Summary of Public Testimony:

(In support) The incentive is working. This bill is trying to link the sales and use tax incentive to support the goals of the Energy Independence Act. The way this incentive is structured in the bill will encourage the development of wind power in Washington. This tax incentive creates significant jobs and capital investment in rural areas of the state where the state's best wind resources are located. The tax incentive helps to create family wage jobs. It is a very competitive environment for renewable energy development. Incentives such as this one play an important role in developing renewable energy projects. Washington has tax preferences for coal and oil without an expiration date. The state needs to maintain a tax incentive to encourage renewable energy in the state.

(In support with concerns) The bill is too limiting for engine based co-generation of power. Language needs to be provided in the bill to include these technologies. The bill may be too narrow to account for the many ways renewable energy projects are developed and financed. The bill needs to be amended to account for these situations.

(Opposed) None.

Persons Testifying: (In support) Representative Morris, prime sponsor; Debbie Strand, Stand Consulting; Tyson Utt, Horizon Wind Energy; Robert Kahn, Northwest and Intermountain Power Producers Association; Craig Engelking, Sierra Club; and Naomi Meyer and Zoe Hamilton, Washington State Legislative Youth Advisory Council.

(In support with concerns) Chuck Collins, Cascade Power; Collins Sprague, Avista Corporation; and Carrie Dolwick, Northwest Energy Coalition.

(Opposed) None.

Persons Signed In To Testify But Not Testifying: None.